

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.  
Form N-CSR  
November 26, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-7920

Western Asset High Income Opportunity Fund Inc.  
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY  
(Address of principal executive offices)

10018  
(Zip code)

Robert I. Frenkel, Esq.  
Legg Mason & Co., LLC  
100 First Stamford Place  
Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: (888)777-0102

Date of fiscal year end: September 30

Date of reporting period: September 30, 2012

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ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual** Report to Stockholders is filed herewith.

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September 30, 2012

**Annual Report**

**Western Asset High Income Opportunity Fund Inc.  
(HIO)**

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
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II Western Asset High Income Opportunity Fund Inc.

**Fund objectives**

The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective.

**What's inside**

Letter from the chairman	II
Investment commentary	III
Fund overview	1
Fund at a glance	7
Spread duration	8
Effective duration	9
Schedule of investments	10
Statement of assets and liabilities	27
Statement of operations	28
Statements of changes in net assets	29
Financial highlights	30
Notes to financial statements	31
Report of independent registered public accounting firm	48
Additional information	49
Annual chief executive officer and principal financial officer certifications	55
Other shareholder communications regarding accounting matters	56
Dividend reinvestment plan	57
Important tax information	59

**Letter from the chairman**

**Dear Shareholder,**

We are pleased to provide the annual report of Western Asset High Income Opportunity Fund Inc. for the twelve-month reporting period ended September 30, 2012. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, [www.lmcef.com](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,
  
- Market insights and commentaries from our portfolio managers, and
  
- A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

October 26, 2012

## Investment commentary

### Economic review

The U.S. economy continued to grow over the twelve months ended September 30, 2012, albeit at an uneven pace. U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, was 1.3% and 4.1% in the third and fourth quarters of 2011, respectively. Economic growth in the U.S. then decelerated, as the Commerce Department reported that first quarter 2012 GDP growth was 2.0%. This was primarily due to less robust private inventory and non-residential fixed investments. The economy slowed further in the second quarter, as GDP growth was a tepid 1.3%. Moderating growth was partially due to weaker consumer spending, which rose only 1.5% in the second quarter, versus 2.4% during the first three months of the year. According to the Commerce Department's initial estimate, GDP growth then moved to 2.0% in the third quarter. The uptick was partially due to an increase in consumer spending, which rose 2.0% in the third quarter.

The job market remained weak. While there was some improvement during the reporting period, unemployment remained elevated. When the reporting period began, unemployment, as reported by the U.S. Department of Labor, was 9.0%. Unemployment then generally declined and was 8.1% in April 2012, the lowest rate since January 2009. The unemployment rate then moved higher, reaching 8.3% in July, before falling to 7.8% in September. However, the recent moderation in unemployment was partially due to people leaving the workforce and an increase in part-time workers.

Meanwhile, the housing market brightened, as sales have started to improve and home prices appear to be firming. According to the National Association of Realtors (NAR), existing-home sales fluctuated throughout the period. While existing-home sales declined 1.7% on a seasonally adjusted basis in September 2012 versus the previous month, they were 11% higher than in September 2011. In addition, the NAR reported that the median existing-home price for all housing types was \$183,900 in September 2012, up 11.3% from September 2011. This marked the seventh consecutive month that home prices rose compared to the same period a year earlier. Furthermore, the inventory of homes available for sale fell 3.3% in September, which represents a 5.9-month supply at the current sales pace. The inventory has declined 20% compared to September 2011.

While the manufacturing sector overcame a soft patch that occurred in the summer of 2011, it again weakened toward the end of the reporting period. Looking back, based on the Institute for Supply Management's PMI (PMI)ii, in August 2011 the manufacturing sector expanded at its weakest pace in two years, with a reading of 50.6 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). The PMI was then somewhat choppy over the next eight months, but rose as high as 54.8 in April 2012. The PMI then fell to 49.7 in June, which represented the first contraction in the manufacturing sector since July 2009. Manufacturing continued to contract in July and August before ticking up to 51.5 in September.

The Federal Reserve Board (Fed)iii took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rateiv at a historically low range

IV Western Asset High Income Opportunity Fund Inc.

**Investment commentary (continued)**

between zero and 0.25%. In September 2011, the Fed announced its intention to purchase \$400 billion of longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as "Operation Twist"). In January 2012, the Fed extended the period it expects to keep rates on hold, saying "economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014." In June, the Fed announced that it would extend Operation Twist until the end of 2012. Finally, in September the Fed announced a third round of quantitative easing, which involves purchasing \$40 billion each month of agency mortgage-backed securities on an open-end basis.

In addition, the Fed said that Operation Twist would continue and that it will keep the federal funds rate on hold until at least mid-2015.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

October 26, 2012

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.



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- iii The Federal Reserve Board ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

## **Fund overview**

### **Q. What is the Fund's investment strategy?**

**A.** The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

We employ an actively managed approach that is risk-aware and incorporates top-down macroeconomic views with industry sector insights and bottom-up credit research to derive the general framework for the Fund's predominantly non-investment grade credit mandate. This framework provides the foundation for how the portfolio is positioned with respect to risk (aggressive, neutral, conservative), as well as sector overweights and underweights.

Risk and weightings are reviewed on a regular basis. Our bottom-up process provides the basis for populating the targeted industry weightings through individual credit selection. Analysts work closely with investment professionals to determine which securities provide the best risk/reward relationship within their respective sectors. The research team focuses on key fundamental measures such as leverage, cash flow adequacy, liquidity, amortization schedule, underlying asset value and management integrity/track record.

At Western Asset Management Company (Western Asset), the Fund's subadviser, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset's senior portfolio management personnel, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The individuals responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are Stephen A. Walsh, Michael C. Buchanan and Christopher F. Kilpatrick.

### **Q. What were the overall market conditions during the Fund's reporting period?**

**A.** The spread sectors (non-Treasuries) experienced periods of volatility during the reporting period, but ultimately generated positive results. After falling sharply in August and September 2011 (prior to the beginning of the reporting period) most spread sectors then rallied in October, given hopes of progress in the European sovereign debt crisis and some better-than-expected economic data. While risk aversion returned in November, demand for the spread sectors resumed in December and generally remained robust during the next three months. This shift in investor sentiment was triggered by indications that the U.S. economy was gathering momentum and signs of progress in the European sovereign debt crisis. However, fears that the economy may be experiencing a soft patch and contagion fears from Europe led to periods of heightened risk aversion during portions of March, April and May. The spread sectors then rallied from June through September as investor sentiment improved.



**Fund overview (cont d)**

Both short- and long-term Treasury yields declined during the reporting period. When the period began, two-year Treasury yields were 0.25%. They moved as low as 0.21% on January 17, 2012 and as high as 0.41% on March 20, 2012. Ten-year Treasury yields were 1.92% at the beginning of the period and peaked at 2.42% on October 27, 2011. On July 25, 2012, ten-year Treasuries closed at an all-time low of 1.43%. Yields then edged higher due to some positive developments in Europe and hopes for additional Federal Reserve Board ( Fed )i actions to stimulate the economy. When the reporting period ended on September 30, 2012, two-year Treasury yields were 0.23% and ten-year Treasury yields were 1.65%. All told, the Barclays U.S. Aggregate Indexii, returned 5.16% for the twelve months ended September 30, 2012. For comparison purposes, riskier fixed-income securities, including high-yield bonds, produced stronger results. High-yield spreads narrowed given generally strong demand from investors seeking to generate incremental income in the low interest rate environment. Over the fiscal year, the Barclays U.S. Corporate High Yield 2% Issuer Cap Indexiii (the Index ) returned 19.35%. During this period, as measured by the Index, lower-quality CCC-rated bonds outperformed higher-quality BB-rated securities, as they returned 24.18% and 17.64%, respectively.

**Q. How did we respond to these changing market conditions?**

**A.** A number of adjustments were made to the Fund's portfolio during the reporting period. From a sector perspective, we reduced the underweight to the poorly performing Energy sector. We reduced our overweight to Consumer Cyclical in an attempt to get more defensive as the market rallied during the period and this was one of the best performing sectors in the benchmark. We increased our exposure to financials, specifically Banking at the beginning of the period. We ran higher cash balances and used derivatives opportunistically to reduce market exposure during this extremely volatile period with heightened uncertainty. During the latter part of the period, we reduced specific exposure to several lower quality issuers to bring down risk in the portfolio. Additionally, we participated in the new issuance market by selectively purchasing securities that we felt were attractively valued.

The Fund employed U.S. Treasury futures to manage its yield curveiv positioning and durationv, which was a modest negative for performance during the reporting period. We covered our small short on five year Treasuries in mid-August 2012, after yields rose from 0.54% to over 0.80% in just three weeks. We ended the period with no Treasury futures in the Fund. Options on high-yield index swaps (CDX) and individual high-yield CDX contracts were used to opportunistically manage the Fund's exposure to the high-yield market. The options on CDX were positive but the individual CDX were negative. All told, these swaps and swaptions were slight detractors to the Fund's performance. These market hedges were intended to hedge against market pullbacks during periods of high volatility, while still maintaining the Fund's exposure to higher beta (and higher income) idiosyncratic investments. Finally, currency forwards were used to hedge the Fund's currency risk and manage our non-U.S. dollar currency exposures. The gains in our currency hedges served their purpose by offsetting the decline in the value of our euro

bonds when translated back to U.S. dollars. All told, derivatives had a very small negative impact to the net performance of the Fund during the reporting period.

### Performance review

For the twelve months ended September 30, 2012, Western Asset High Income Opportunity Fund Inc. returned 18.15% based on its net asset value ( NAV )vi and 25.00% based on its New York Stock Exchange ( NYSE ) market price per share. The Fund's unmanaged benchmark, the Barclays U.S. Corporate High Yield 2% Issuer Cap Index, returned 19.35% for the same period. The Lipper High Yield Closed-End Funds Category Averagevii returned 19.63% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$0.51 per share. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of September 30, 2012. **Past performance is no guarantee of future results.**

### Performance Snapshot as of September 30, 2012

	<b>12-Month Total Return*</b>
<b>Price Per Share</b>	
\$6.26 (NAV)	18.15%
\$6.65 (Market Price)	25.00%

**All figures represent past performance and are not a guarantee of future results.**

\* **Total returns are based on changes in NAV or market price, respectively.**

**Total return assumes the reinvestment of all distributions at NAV. Prior to January 1, 2012, total return assumed the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

**Total return assumes the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

**Q. What were the leading contributors to performance?**

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A. The largest contributor to the Fund's relative performance during the reporting period was our security selection. A number of individual high-yield bonds were positive for performance, including our overweights in Charter Communications (Charter Communications Inc., CCO Holdings LLC and CCH II LLC), Sprint Nextel Corp. (and Sprint Capital Corporation), CMA CGM and Hapag-Lloyd AG.

Charter Communications, an operator of cable television systems in the U.S., offers a full range of traditional and digital cable television services. We felt the market was not valuing Charter Communications' business appropriately given our expectations for strong growth in its small and medium enterprises segment, as well as its retail data businesses. Our holdings in Charter Communications were rewarded, as the company posted solid fundamental results and improving free cash flow during the period. Wireless telecommunications company Sprint Nextel bonds performed extremely well during the reporting period as its fundamental performance continued to improve and we felt that the company would benefit from our outlook for wireless industry consolidation. Toward the end of the period, a key competitor Metro PCS (also a holding in this Fund which performed very well) was acquired by investment grade rated Deutsche Telecom and merged with

**Fund overview (cont d)**

their U.S. subsidiary T-Mobile USA. Sprint Nextel's bonds rallied on the attractive valuation paid and the improved outlook for more stabilized wireless competitive landscape and pricing environment. In addition, B- rated Sprint Nextel was acquired by Japan's investment grade rated Softbank after the reporting period ended, sending Sprint Nextel's bonds even higher. CMA CGM and Hapag-Lloyd AG are global shipping companies headquartered in Europe. These bonds had performed poorly in the prior reporting period due to a variety of factors, including fears of long-term decelerating global economic growth, higher oil prices and issues related to the ongoing European sovereign debt crisis. These bonds rallied significantly from distressed levels during the period, as both of the companies' fundamentals stabilized and there was strong investor demand for these attractive, higher yielding opportunities.

From a ratings perspective, the portfolio benefited from its overweight to lower-rated CCC-rated securities and underweight to higher-rated BB-rated securities given the outperformance of lower-rated securities during the fiscal year as a whole.

Overall sector positioning was a marginal detractor from performance, however our positioning in several areas were additive to results. The largest contributor was our overweight to Consumer Non-cyclicals and our opportunistic addition of Financials (specifically the Banking subsector), as both sectors outperformed the Index during the reporting period. In addition our underweight to Energy was beneficial as the sector was initially seen as slightly more defensive versus the market and investors were looking for opportunities elsewhere. As the period progressed, the Energy sector performance was linked to the moderating growth outlook in Asia which received much attention and came under question several times during the reporting period.

**Q. What were the leading detractors from performance?**

**A.** The largest detractor from the Fund's relative performance during the reporting period was our sector positioning. The decision to run higher than normal cash balances during the period to help reduce risk and offset our higher beta positioning was not rewarded. Given the rally in the spread sectors and the less attractive value opportunities, we let cash build up to as high as 3% to 4% of the Fund toward the end of the reporting period. Had the portfolio been fully invested in the broader high yield market, better returns would have likely been achieved. An underweight to the strong performing Information Technology (IT) was also a negative. We see high-yield IT as a higher risk sector and we were reluctant to reduce the underweight there given our already net risk on stance which included overweighting CCC and below issues and underweight higher quality BB issuers. In addition, our overweight to Transportation, which falls under the Industrial sector, was a detractor

A number of individual holdings detracted from performance including overweight positions in Petroplus Finance, Horizon Lines and Overseas Shipholding Group. Petroplus Finance is a European oil refiner. In December 2011, a \$1 billion credit line to the company was frozen by its bank lenders. Petroplus Finance was unable to avoid bankruptcy as it reduced its output and closed several refineries.

Fortunately, we reduced our exposure at the end of 2011, but we should have exited the position completely as its bonds continued to move significantly lower throughout the reporting period as asset sales were disappointing. We exited the position toward the end of the period. Horizon Lines is a U.S.-based shipping company that performed poorly, as it was expected to default after failing to make certain debt payments. Horizon Lines suffered from an overall secular decline in global shipping in 2011 and 2012 and a U.S. Department of Justice settlement against the company added to already elevated liquidity concerns. In April 2012, bondholders agreed with the company to exchange 6% yielding bonds into equity to help deleverage the company. The equity has underperformed the high-yield market post the exchange. Overseas Shipholding Group is one of the world's largest oil tanker companies. It performed poorly as the company's fundamentals weakened given the volatile pricing environment for shipping rates. In addition, Overseas Shipholding Group has been slow to fully address some near-term maturities which added to concerns and has continued to pressure bonds after the reporting period concluded.

#### Looking for additional information?

The Fund is traded under the symbol **HIO** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XHIOX** on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as [www.lmcef.com](http://www.lmcef.com).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset High Income Opportunity Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Western Asset Management Company

October 16, 2012

**RISKS:** *The Fund's investments are subject to credit risk, inflation risk and interest rate risk. The Fund invests in high-yield debt securities, which are subject to greater risks than investments in higher-rated bonds, such as the increased risk of default and greater volatility because of the lower credit quality of the issues. Fixed-income investments are subject to interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. In addition, the Fund may invest in foreign securities, which are*



*subject to certain risks of overseas investing, including currency fluctuations and changes in political and economic conditions, which could result in significant fluctuations. These risks are magnified in emerging markets.*

**Fund overview (cont d)**

Portfolio holdings and breakdowns are as of September 30, 2012 and are subject to change and may not be representative of the portfolio managers' current or future investments. Please refer to pages 10 through 26 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of September 30, 2012 were: Consumer Discretionary (20.3%), Industrials (16.2%), Energy (15.0%), Financials (9.5%) and Materials (8.8%). The Fund's portfolio composition is subject to change at any time.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

- i The Federal Reserve Board ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- ii The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- iii The Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- iv The yield curve is the graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities.
- v Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.
- vi Net asset value ( NAV ) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total investments) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- vii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended September 30, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 7 funds in the Fund's Lipper category.

**Fund at a glance (unaudited)**

**Investment breakdown (%) as a percent of total investments**

The bar graph above represents the composition of the Fund's investments as of September 30, 2012 and September 30, 2011 and does not include derivatives, such as written options, swap contracts and forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.  
Represents less than 0.1%.

**Spread duration (unaudited)**

**Economic Exposure September 30, 2012**

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

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B US HY 2%	Barclays U.S. Corporate High Yield 2% Issuer Cap Index
EM	Emerging Markets
HIO	Western Asset High Income Opportunity Fund Inc.
HY	High Yield
IG Credit	Investment Grade Credit
MBS	Mortgage-Backed Securities

**Effective duration (unaudited)****Interest Rate Exposure September 30, 2012**

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

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B US HY 2%	Barclays U.S. Corporate High Yield 2% Issuer Cap Index
EM	Emerging Markets
HIO	Western Asset High Income Opportunity Fund Inc.
HY	High Yield
IG Credit	Investment Grade Credit

10 Western Asset High Income Opportunity Fund Inc. 2012 Annual Report

**Schedule of investments**

September 30, 2012

**Western Asset High Income Opportunity Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Corporate Bonds &amp; Notes 87.2%</b>				
<b>Consumer Discretionary 17.5%</b>				
<b>Auto Components 0.2%</b>				
American Axle & Manufacturing Inc., Senior Notes	6.625%	10/15/22	430,000	\$ 437,525
Hertz Holdings Netherlands BV, Senior Secured Bonds	8.500%	7/31/15	300,000	EUR 417,802 (a)
<b>Total Auto Components</b>				<b>855,327</b>
<b>Automobiles 0.7%</b>				
Chrysler Group LLC/CG Co.-Issuer Inc., Secured Notes	8.250%	6/15/21	2,550,000	2,728,500
Escrow GCB General Motors			2,125,000	0*(b)(c)(d)
Escrow GCB General Motors			825,000	0*(b)(c)(d)
Escrow GCB General Motors			2,540,000	0*(b)(c)(d)
Jaguar Holding Co. II/Jaguar Merger Sub Inc., Senior Notes	9.500%	12/1/19	480,000	541,200 (a)
<b>Total Automobiles</b>				<b>3,269,700</b>
<b>Diversified Consumer Services 1.0%</b>				
Service Corp. International, Senior Notes	7.500%	4/1/27	1,160,000	1,235,400
ServiceMaster Co., Senior Notes	8.000%	2/15/20	660,000	702,900
ServiceMaster Co., Senior Notes	7.000%	8/15/20	1,100,000	1,133,000 (a)
Sotheby's, Senior Notes	7.750%	6/15/15	1,540,000	1,678,600 (c)
<b>Total Diversified Consumer Services</b>				<b>4,749,900</b>
<b>Hotels, Restaurants &amp; Leisure 7.0%</b>				
Affinity Gaming LLC/Affinity Gaming Finance Corp., Senior Notes	9.000%	5/15/18	1,070,000	1,115,475 (a)
Bossier Casino Venture Holdco Inc., Senior Secured Bonds	14.000%	2/9/18	1,140,670	1,011,016 (a)(b)(c)(e)
Boyd Acquisition Sub LLC/Boyd Acquisition Finance Corp., Senior Notes	8.375%	2/15/18	560,000	585,200 (a)
Boyd Gaming Corp., Senior Notes	9.125%	12/1/18	220,000	232,100
Boyd Gaming Corp., Senior Notes	9.000%	7/1/20	1,745,000	1,788,625 (a)
Caesars Entertainment Operating Co. Inc., Senior Notes	10.750%	2/1/16	3,124,000	2,507,010
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	10.000%	12/15/15	270,000	236,925
Caesars Entertainment Operating Co. Inc., Senior Secured Notes	11.250%	6/1/17	1,220,000	1,317,600
Carrols Restaurant Group Inc., Senior Secured Notes	11.250%	5/15/18	1,270,000	1,390,650 (a)
CCM Merger Inc., Senior Notes	9.125%	5/1/19	1,250,000	1,271,875 (a)

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Downstream Development Quapaw, Senior Secured Notes	10.500%	7/1/19	1,190,000	1,288,175 (a)
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See Notes to Financial Statements.

## Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value	
<b>Hotels, Restaurants &amp; Leisure continued</b>					
El Pollo Loco Inc., Secured Notes	17.000%	1/1/18	882,643	\$ 922,362	(a)(e)
Fontainebleau Las Vegas Holdings LLC/Fontainebleau Las Vegas Capital Corp.	10.250%	6/15/15	445,000	834	(a)(f)
Hoa Restaurant Group LLC/Hoa Finance Corp., Senior Secured Notes	11.250%	4/1/17	1,470,000	1,348,725	(a)
Landry's Inc., Senior Notes	9.375%	5/1/20	1,200,000	1,272,000	(a)
Mastro's Restaurants LLC/RRG Finance Corp., Senior Secured Notes	12.000%	6/1/17	1,140,000	1,179,900	(a)
MGM Resorts International, Senior Notes	5.875%	2/27/14	1,270,000	1,327,150	
MGM Resorts International, Senior Secured Notes	10.375%	5/15/14	150,000	169,500	
MGM Resorts International, Senior Secured Notes	11.125%	11/15/17	360,000	400,050	
Mohegan Tribal Gaming Authority, Secured Notes	11.500%	11/1/17	60,000	63,900	(a)
Mohegan Tribal Gaming Authority, Senior Secured Notes	10.500%	12/15/16	3,560,000	3,275,200	(a)
NCL Corp. Ltd., Senior Notes	9.500%	11/15/18	2,440,000	2,714,500	
NCL Corp. Ltd., Senior Secured Notes	11.750%	11/15/16	1,760,000	2,037,200	
Pinnacle Entertainment Inc., Senior Notes	8.625%	8/1/17	715,000	784,712	
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., Senior Secured Notes	9.500%	6/15/19	335,000	357,613	(a)
Seven Seas Cruises S de RL LLC, Senior Secured Notes	9.125%	5/15/19	1,770,000	1,849,650	
Snoqualmie Entertainment Authority, Senior Secured Notes	9.125%	2/1/15	2,860,000	2,910,050	(a)
Station Casinos Inc., Senior Subordinated Notes	6.625%	3/15/18	85,000	0	(b)(c)(d)(f)
<b>Total Hotels, Restaurants &amp; Leisure</b>				<b>33,357,997</b>	
<b>Internet &amp; Catalog Retail 0.3%</b>					
Netflix Inc., Senior Notes	8.500%	11/15/17	1,340,000	<b>1,433,800</b>	
<b>Media 5.9%</b>					
Carmike Cinemas Inc., Secured Notes	7.375%	5/15/19	480,000	518,400	
CCH II LLC/CCH II Capital Corp., Senior Notes	13.500%	11/30/16	561,225	610,332	
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	7.875%	4/30/18	900,000	978,750	
CCO Holdings LLC/CCO Holdings Capital Corp., Senior Notes	8.125%	4/30/20	2,800,000	3,178,000	
Cengage Learning Acquisitions Inc., Senior Secured Notes	11.500%	4/15/20	1,820,000	1,956,500	(a)
Clear Channel Worldwide Holdings Inc., Senior Subordinated Notes	7.625%	3/15/20	870,000	852,600	
Clear Channel Worldwide Holdings Inc., Senior Subordinated Notes	7.625%	3/15/20	120,000	115,800	
DISH DBS Corp., Senior Notes	7.875%	9/1/19	1,260,000	1,471,050	
DISH DBS Corp., Senior Notes	6.750%	6/1/21	510,000	558,450	



See Notes to Financial Statements.

12 Western Asset High Income Opportunity Fund Inc. 2012 Annual Report

## Schedule of investments (cont d)

September 30, 2012

## Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Media continued</b>				
Entercom Radio LLC, Senior Notes	10.500%	12/1/19	1,290,000	\$ 1,412,550
Good Sam Enterprises LLC, Secured Notes	11.500%	12/1/16	1,360,000	1,448,400
LBI Media Inc., Senior Secured Notes	9.250%	4/15/19	1,170,000	1,105,650 (a)
Nara Cable Funding Ltd., Senior Secured Notes	8.875%	12/1/18	1,800,000	1,651,500 (a)
Nielsen Finance LLC/Nielsen Finance Co., Senior Notes	11.500%	5/1/16	400,000	449,000
Ono Finance II PLC, Senior Bonds	10.875%	7/15/19	1,760,000	1,504,800 (a)
Univision Communications Inc., Senior Notes	8.500%	5/15/21	450,000	459,000 (a)
Univision Communications Inc., Senior Secured Notes	6.875%	5/15/19	1,430,000	1,480,050 (a)
Univision Communications Inc., Senior Secured Notes	7.875%	11/1/20	1,120,000	1,204,000 (a)
Univision Communications Inc., Senior Secured Notes	6.750%	9/15/22	750,000	753,750 (a)
UPC Holding BV, Junior Secured Subordinated Notes	6.375%	9/15/22	1,810,000	EUR 2,238,717 (a)
UPC Holding BV, Senior Notes	9.875%	4/15/18	675,000	745,875 (a)
UPCB Finance II Ltd., Senior Notes	6.375%	7/1/20	2,250,000	EUR 2,999,788 (a)
<b>Total Media</b>				<b>27,692,962</b>
<b>Multiline Retail 0.4%</b>				
Bon-Ton Department Stores Inc., Senior Secured Notes	10.625%	7/15/17	720,000	653,400 (a)
Bon-Ton Stores Inc., Senior Notes	10.250%	3/15/14	220,000	212,300
Neiman Marcus Group Inc., Senior Secured Notes	7.125%	6/1/28	1,250,000	1,231,250
<b>Total Multiline Retail</b>				<b>2,096,950</b>
<b>Specialty Retail 1.8%</b>				
American Greetings Corp., Senior Notes	7.375%	12/1/21	1,150,000	1,190,250
Edcon Proprietary Ltd., Senior Secured Notes	9.500%	3/1/18	1,970,000	1,901,050 (a)
Gymboree Corp., Senior Notes	9.125%	12/1/18	2,110,000	2,017,688
Michaels Stores Inc., Senior Subordinated Bonds	11.375%	11/1/16	1,230,000	1,291,623
Michaels Stores Inc., Senior Subordinated Notes	13.000%	11/1/16	891,000	937,786
Spencer Spirit Holdings Inc./Spencer Gifts LLC/Spirit Halloween Superstores, Senior Notes	11.000%	5/1/17	1,050,000	1,128,750 (a)
<b>Total Specialty Retail</b>				<b>8,467,147</b>
<b>Textiles, Apparel &amp; Luxury Goods 0.2%</b>				
Empire Today LLC/Empire Today Finance Corp., Senior Secured Notes	11.375%	2/1/17	730,000	775,625 (a)
<b>Total Consumer Discretionary</b>				<b>82,699,408</b>

See Notes to Financial Statements.

## Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Consumer Staples 1.6%</b>				
<b>Food &amp; Staples Retailing 0.4%</b>				
New Albertsons Inc., Senior Notes	7.250%	5/1/13	250,000	\$ 255,000
Post Holdings Inc., Senior Notes	7.375%	2/15/22	1,490,000	1,590,575 (a)
<b>Total Food &amp; Staples Retailing</b>				<b>1,845,575</b>
<b>Food Products 0.7%</b>				
Harmony Foods Corp., Senior Secured Notes	10.000%	5/1/16	570,000	601,350 (a)
Simmons Foods Inc., Senior Secured Notes	10.500%	11/1/17	2,980,000	2,585,150 (a)
<b>Total Food Products</b>				<b>3,186,500</b>
<b>Personal Products 0.0%</b>				
Prestige Brands Inc., Senior Notes	8.125%	2/1/20	190,000	212,800
<b>Tobacco 0.5%</b>				
Alliance One International Inc., Senior Notes	10.000%	7/15/16	2,166,000	2,252,640
<b>Total Consumer Staples</b>				<b>7,497,515</b>
<b>Energy 13.3%</b>				
<b>Energy Equipment &amp; Services 2.0%</b>				
Atwood Oceanics Inc., Senior Notes	6.500%	2/1/20	690,000	741,750
Hercules Offshore Inc., Senior Notes	10.250%	4/1/19	760,000	790,400 (a)
Hercules Offshore LLC, Senior Secured Notes	10.500%	10/15/17	2,345,000	2,482,769 (a)
Parker Drilling Co., Senior Notes	9.125%	4/1/18	1,480,000	1,602,100
Petroleum Geo-Services ASA, Senior Notes	7.375%	12/15/18	630,000	675,675 (a)
SESI LLC, Senior Notes	7.125%	12/15/21	1,320,000	1,465,200
Vantage Drilling Co., Senior Secured Notes	11.500%	8/1/15	1,470,000	1,631,700
<b>Total Energy Equipment &amp; Services</b>				<b>9,389,594</b>
<b>Oil, Gas &amp; Consumable Fuels 11.3%</b>				
Arch Coal Inc., Senior Notes	8.750%	8/1/16	1,740,000	1,713,900
Atlas Pipeline Partners LP/Atlas Pipeline Finance Corp., Senior Notes	6.625%	10/1/20	470,000	479,400 (a)
Berry Petroleum Co., Senior Notes	6.375%	9/15/22	1,430,000	1,512,225
Calumet Specialty Products Partners LP/Calumet Finance Corp., Senior Notes	9.375%	5/1/19	2,990,000	3,229,200
Carrizo Oil & Gas Inc., Senior Notes	7.500%	9/15/20	700,000	715,750
Chesapeake Energy Corp., Senior Notes	6.775%	3/15/19	1,530,000	1,535,738
Coffeyville Resources LLC/Coffeyville Finance Inc., Senior Secured Notes	9.000%	4/1/15	1,060,000	1,136,850 (a)
Compagnie Generale de Geophysique-Veritas, Senior Notes	9.500%	5/15/16	560,000	607,600
Compagnie Generale de Geophysique-Veritas, Senior Notes	7.750%	5/15/17	410,000	426,656
Comstock Resources Inc., Senior Notes	9.500%	6/15/20	1,010,000	1,088,275
CONSOL Energy Inc., Senior Notes	8.250%	4/1/20	1,410,000	1,484,025

See Notes to Financial Statements.

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14 Western Asset High Income Opportunity Fund Inc. 2012 Annual Report

Schedule of investments (cont d)

September 30, 2012

Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value	
<i>Oil, Gas &amp; Consumable Fuels continued</i>					
Corral Petroleum Holdings AB, Senior Notes	15.000%	12/31/17	2,986,910	\$ 2,210,313	(a)(c)(e)
Crosstex Energy LP/Crosstex Energy Finance Corp., Senior Notes	8.875%	2/15/18	350,000	375,156	
Crosstex Energy LP/Crosstex Energy Finance Corp., Senior Notes	7.125%	6/1/22	1,710,000	1,705,725	(a)
El Paso Corp., Medium-Term Notes	7.800%	8/1/31	870,000	1,015,251	
Energy Transfer Equity LP, Senior Notes	7.500%	10/15/20	1,370,000	1,561,800	
Enterprise Products Operating LLP, Junior Subordinated Notes	8.375%	8/1/66	1,270,000	1,433,110	(g)
Enterprise Products Operating LLP, Subordinated Notes	7.034%	1/15/68	790,000	885,787	(g)
EXCO Resources Inc., Senior Notes	7.500%	9/15/18	750,000	705,000	
Halcon Resources Corp., Senior Notes	9.750%	7/15/20	1,460,000	1,496,500	(a)
Hiland Partners LP/Hiland Partners Finance Corp., Senior Notes	7.250%	10/1/20	500,000	520,625	(a)
Kodiak Oil & Gas Corp., Senior Notes	8.125%	12/1/19	1,700,000	1,804,125	(a)
MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes	6.750%	11/1/20	430,000	467,625	
MarkWest Energy Partners LP/MarkWest Energy Finance Corp., Senior Notes	6.500%	8/15/21	260,000	280,150	
Midstates Petroleum Co. Inc./Midstates Petroleum Co. LLC, Senior Notes	10.750%	10/1/20	940,000	984,650	(a)
Milagro Oil & Gas Inc., Secured Notes	10.500%	5/15/16	1,530,000	1,093,950	
Overseas Shipholding Group Inc., Senior Notes	8.125%	3/30/18	2,855,000	1,912,850	
Peabody Energy Corp., Senior Notes	7.875%	11/1/26	470,000	502,900	
Pioneer Energy Services Corp., Senior Notes	9.875%	3/15/18	140,000	152,950	
Plains Exploration & Production Co., Senior Notes	10.000%	3/1/16	1,305,000	1,409,400	
Plains Exploration & Production Co., Senior Notes	8.625%	10/15/19	1,195,000	1,338,400	
Plains Exploration & Production Co., Senior Notes	6.750%	2/1/22	230,000	234,600	
PT Adaro Indonesia, Senior Notes	7.625%	10/22/19	400,000	444,000	(a)
Quicksilver Resources Inc., Senior Notes	11.750%	1/1/16	3,035,000	3,080,525	
Range Resources Corp., Senior Subordinated Notes	8.000%	5/15/19	100,000	111,500	
Samson Investment Co., Senior Notes	9.750%	2/15/20	2,820,000	2,908,125	(a)
SandRidge Energy Inc., Senior Notes	7.500%	3/15/21	460,000	476,100	
SandRidge Energy Inc., Senior Notes	7.500%	2/15/23	900,000	929,250	(a)
Teekay Corp., Senior Notes	8.500%	1/15/20	2,280,000	2,405,400	

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Tennessee Gas Pipeline Co., Senior Notes	8.375%	6/15/32	3,270,000	4,702,940
Westmoreland Coal Co./Westmoreland Partners, Senior Secured Notes	10.750%	2/1/18	930,000	906,750
Xinergy Ltd., Senior Secured Notes	9.250%	5/15/19	2,230,000	1,460,650 <sup>(a)</sup>
<b>Total Oil, Gas &amp; Consumable Fuels</b>				<b>53,445,726</b>
<b>Total Energy</b>				<b>62,835,320</b>

See Notes to Financial Statements.

**Western Asset High Income Opportunity Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Financials 7.7%</b>				
<b>Capital Markets 0.3%</b>				
Goldman Sachs Group Inc., Subordinated Notes	6.750%	10/1/37	1,100,000	\$ 1,182,079
<b>Commercial Banks 2.0%</b>				
BankAmerica Institutional Capital B, Junior Subordinated Bonds	7.700%	12/31/26	1,050,000	1,073,625(a)
Barclays Bank PLC, Subordinated Notes	10.179%	6/12/21	1,750,000	2,283,059(a)
Credit Agricole SA, Subordinated Notes	8.375%	10/13/19	830,000	811,325(a)(g)(h)
Intesa Sanpaolo SpA, Senior Notes	3.625%	8/12/15	2,430,000	2,382,996(a)
Royal Bank of Scotland Group PLC, Junior Subordinated Bonds	7.648%	9/30/31	1,090,000	1,068,200(g)(h)
Royal Bank of Scotland Group PLC, Subordinated Notes	5.000%	10/1/14	860,000	886,065
Santander Issuances SAU, Notes	5.911%	6/20/16	1,000,000	989,865(a)
<b>Total Commercial Banks</b>				<b>9,495,135</b>
<b>Consumer Finance 0.9%</b>				
Ally Financial Inc., Senior Bonds	0.000%	12/1/12	1,800,000	1,792,260
Ally Financial Inc., Senior Notes	8.000%	3/15/20	1,410,000	1,656,750
GMAC International Finance BV, Senior Bonds	7.500%	4/21/15	730,000EUR	1,014,306
<b>Total Consumer Finance</b>				<b>4,463,316</b>
<b>Diversified Financial Services 3.7%</b>				
Bank of America Corp., Senior Notes	6.500%	8/1/16	350,000	405,127
Bankrate Inc., Senior Secured Notes	11.750%	7/15/15	2,648,000	2,979,000
Capital One Capital V, Junior Subordinated Notes, Cumulative Trust Preferred Securities	10.250%	8/15/39	1,120,000	1,159,200
International Lease Finance Corp., Medium-Term Notes	6.375%	3/25/13	744,000	761,670
International Lease Finance Corp., Medium-Term Notes, Senior Notes	5.625%	9/20/13	1,670,000	1,728,450
International Lease Finance Corp., Senior Notes	8.625%	9/15/15	820,000	936,850
International Lease Finance Corp., Senior Notes	8.875%	9/1/17	3,810,000	4,514,850
International Lease Finance Corp., Senior Notes	8.250%	12/15/20	1,580,000	1,884,150
Nationstar Mortgage LLC/Nationstar Capital Corp., Senior Notes	7.875%	10/1/20	1,360,000	1,390,600(a)
TransUnion Holding Co. Inc., Senior Notes	9.625%	6/15/18	1,240,000	1,357,800(a)
ZFS Finance USA Trust II, Bonds	6.450%	12/15/65	500,000	532,500(a)(g)
<b>Total Diversified Financial Services</b>				<b>17,650,197</b>
<b>Insurance 0.8%</b>				
American International Group Inc., Senior Notes	8.250%	8/15/18	1,465,000	1,888,432
ING Capital Funding Trust III, Junior Subordinated Bonds	3.962%	12/31/12	410,000	378,847(g)(h)
Liberty Mutual Group, Junior Subordinated Bonds	7.800%	3/15/37	810,000	882,900(a)

See Notes to Financial Statements.



## Western Asset High Income Opportunity Fund Inc. 2012 Annual Report

16

## Schedule of investments (cont d)

September 30, 2012

## Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Insurance continued</b>				
MetLife Capital Trust IV, Junior Subordinated Notes	7.875%	12/15/37	590,000	\$ 699,150(a)
<b>Total Insurance</b>				<b>3,849,329</b>
<b>Total Financials</b>				
<b>Health Care 5.8%</b>				
<b>Health Care Equipment &amp; Supplies 0.2%</b>				
Biomet Inc., Senior Notes	10.000%	10/15/17	180,000	190,125
Hologic Inc., Senior Notes	6.250%	8/1/20	620,000	660,300(a)
<b>Total Health Care Equipment &amp; Supplies</b>				<b>850,425</b>
<b>Health Care Providers &amp; Services 5.2%</b>				
Acadia Healthcare Co. Inc., Senior Notes	12.875%	11/1/18	1,200,000	1,413,000
American Renal Holdings, Senior Secured Notes	8.375%	5/15/18	1,130,000	1,197,800
AMERIGROUP Corp., Senior Notes	7.500%	11/15/19	880,000	1,032,350
CHS/Community Health Systems Inc., Senior Notes	8.000%	11/15/19	2,160,000	2,381,400
CRC Health Corp., Senior Subordinated Notes	10.750%	2/1/16	4,205,000	3,931,675
DJO Finance LLC/DJO Finance Corp., Senior Notes	10.875%	11/15/14	700,000	728,000
DJO Finance LLC/DJO Finance Corp., Senior Notes	9.875%	4/15/18	730,000	724,525(a)
ExamWorks Group Inc., Senior Notes	9.000%	7/15/19	850,000	888,250
Fresenius Medical Care U.S. Finance Inc., Senior Notes	6.875%	7/15/17	700,000	808,500
Fresenius Medical Care U.S. Finance Inc., Senior Notes	6.500%	9/15/18	280,000	317,100(a)
Fresenius U.S. Finance II Inc., Senior Notes	9.000%	7/15/15	1,920,000	2,222,400(a)
HCA Inc., Debentures	7.500%	11/15/95	3,920,000	3,351,600
HCA Inc., Senior Secured Notes	7.875%	2/15/20	1,440,000	1,625,400
HCA Inc., Senior Secured Notes	7.250%	9/15/20	420,000	472,500
INC Research LLC, Senior Notes	11.500%	7/15/19	640,000	646,400(a)
Physiotherapy Associates Holdings Inc., Senior Notes	11.875%	5/1/19	360,000	370,800(a)
Tenet Healthcare Corp., Senior Secured Notes	10.000%	5/1/18	645,000	748,200
Tenet Healthcare Corp., Senior Secured Notes	8.875%	7/1/19	770,000	873,950
US Oncology Inc. Escrow			1,015,000	17,763*
Vanguard Health Holdings Co., II LLC, Senior Notes	8.000%	2/1/18	605,000	648,862
<b>Total Health Care Providers &amp; Services</b>				<b>24,400,475</b>
<b>Pharmaceuticals 0.4%</b>				
Elan Finance PLC/Elan Finance Corp., Senior Notes	6.250%	10/15/19	700,000	707,000(a)
Valeant Pharmaceuticals International, Senior Notes	6.375%	10/15/20	890,000	910,025(a)
VPI Escrow Corp., Senior Notes	6.375%	10/15/20	490,000	502,250(a)
<b>Total Pharmaceuticals</b>				<b>2,119,275</b>
<b>Total Health Care</b>				<b>27,370,175</b>

See Notes to Financial Statements.



**Western Asset High Income Opportunity Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Industrials 15.0%</b>				
<b>Aerospace &amp; Defense 1.4%</b>				
Ducommun Inc., Senior Notes	9.750%	7/15/18	870,000	\$ 922,200
Kratos Defense & Security Solutions Inc., Senior Secured Notes	10.000%	6/1/17	2,420,000	2,625,700
Triumph Group Inc., Senior Notes	8.625%	7/15/18	800,000	906,000
Wyle Services Corp., Senior Subordinated Notes	10.500%	4/1/18	2,105,000	2,283,925(a)
<b>Total Aerospace &amp; Defense</b>				<b>6,737,825</b>
<b>Airlines 1.9%</b>				
American Airlines Pass-Through Trust, Secured Notes	7.000%	1/31/18	635,270	648,770(a)
Continental Airlines 2012-2 Pass-Through Certificates, Notes	5.500%	10/29/20	460,000	473,800
Continental Airlines Inc., Pass-Through Certificates	9.250%	5/10/17	140,757	154,129
Continental Airlines Inc., Pass-Through Certificates, Subordinated Secured Notes	7.339%	4/19/14	1,173,449	1,220,387
DAE Aviation Holdings Inc., Senior Notes	11.250%	8/1/15	3,870,000	4,005,450(a)
Delta Air Lines Inc., Pass-Through Certificates, Secured Notes	8.021%	8/10/22	667,401	720,793
Delta Air Lines Inc., Pass-Through Certificates, Subordinated Secured Notes	9.750%	12/17/16	336,058	371,344
Delta Air Lines Inc., Senior Secured Notes	9.500%	9/15/14	519,000	546,247(a)
United Air Lines Inc., Senior Secured Notes	9.875%	8/1/13	728,000	748,020(a)
<b>Total Airlines</b>				<b>8,888,940</b>
<b>Building Products 0.7%</b>				
Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes	11.000%	6/30/15	1,160,400	1,119,786(a)(b)
Building Materials Corp. of America, Senior Notes	6.750%	5/1/21	2,110,000	2,315,725(a)
<b>Total Building Products</b>				<b>3,435,511</b>
<b>Commercial Services &amp; Supplies 2.6%</b>				
Altegrity Inc., Senior Subordinated Notes	10.500%	11/1/15	210,000	184,800(a)
Altegrity Inc., Senior Subordinated Notes	11.750%	5/1/16	2,605,000	2,188,200(a)
American Reprographics Co., Senior Notes	10.500%	12/15/16	1,830,000	1,930,650
Geo Group Inc., Senior Notes	7.750%	10/15/17	1,620,000	1,753,650
JM Huber Corp., Senior Notes	9.875%	11/1/19	780,000	879,450(a)
Monitronics International Inc., Senior Notes	9.125%	4/1/20	2,330,000	2,434,850
RSC Equipment Rental Inc./RSC Holdings III LLC, Senior Notes	8.250%	2/1/21	730,000	804,825
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	1,470,000	1,572,900(a)
Taylor Morrison Communities Inc./Monarch Communities Inc., Senior Notes	7.750%	4/15/20	360,000	385,200(a)
<b>Total Commercial Services &amp; Supplies</b>				<b>12,134,525</b>

See Notes to Financial Statements.

## Western Asset High Income Opportunity Fund Inc. 2012 Annual Report

18

## Schedule of investments (cont d)

September 30, 2012

## Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Construction &amp; Engineering 0.4%</b>				
Abengoa Finance SAU, Senior Notes	8.875%	11/1/17	1,310,000	\$ 1,218,300(a)
PH Holding LLC, Secured Notes	9.750%	12/31/17	910,000	891,800(c)
<b>Total Construction &amp; Engineering</b>				<b>2,110,100</b>
<b>Electrical Equipment 0.5%</b>				
International Wire Group Holdings Inc., Senior Secured Notes	8.500%	10/15/17	920,000	920,000(a)
NES Rentals Holdings Inc., Senior Secured Notes	12.250%	4/15/15	1,620,000	1,636,200(a)
<b>Total Electrical Equipment</b>				<b>2,556,200</b>
<b>Industrial Conglomerates 0.3%</b>				
Leucadia National Corp., Senior Notes	8.125%	9/15/15	1,170,000	<b>1,325,025</b>
<b>Machinery 0.9%</b>				
Dematic SA, Senior Secured Notes	8.750%	5/1/16	2,050,000	2,203,750(a)
Global Brass and Copper Inc., Senior Secured Notes	9.500%	6/1/19	1,140,000	1,242,600(a)
SPL Logistics Escrow LLC, Senior Secured Notes	8.875%	8/1/20	800,000	860,000(a)
<b>Total Machinery</b>				<b>4,306,350</b>
<b>Marine 1.0%</b>				
Horizon Lines LLC, Secured Notes	13.000%	10/15/16	1,251,833	1,201,760(a)(e)
Horizon Lines LLC, Senior Secured Notes	11.000%	10/15/16	876,000	876,000(a)
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc., Senior Secured Notes	8.625%	11/1/17	2,700,000	2,585,250
<b>Total Marine</b>				<b>4,663,010</b>
<b>Road &amp; Rail 2.4%</b>				
Florida East Coast Holdings Corp., Senior Notes	11.250%	8/1/17	3,738,624	3,364,762(e)
Jack Cooper Holdings Corp., Senior Secured Notes	13.750%	12/15/15	2,194,000	2,292,730(a)
Kansas City Southern de Mexico, Senior Notes	12.500%	4/1/16	681,000	764,422
Kansas City Southern de Mexico, Senior Notes	8.000%	2/1/18	1,685,000	1,895,625
Quality Distribution LLC/QD Capital Corp., Secured Notes	9.875%	11/1/18	2,675,000	2,929,125
<b>Total Road &amp; Rail</b>				<b>11,246,664</b>
<b>Trading Companies &amp; Distributors 1.1%</b>				
Ashtead Capital Inc., Senior Secured Notes	6.500%	7/15/22	1,200,000	1,264,500(a)
H&E Equipment Services Inc., Senior Notes	7.000%	9/1/22	1,250,000	1,303,125(a)
UR Financing Escrow Corp., Secured Notes	5.750%	7/15/18	32,000	33,880(a)
UR Financing Escrow Corp., Senior Notes	7.625%	4/15/22	2,358,000	2,587,905(a)
<b>Total Trading Companies &amp; Distributors</b>				<b>5,189,410</b>
<b>Transportation 1.6%</b>				
CMA CGM, Senior Notes	8.500%	4/15/17	2,830,000	1,995,150(a)
Hapag-Lloyd AG, Senior Notes	9.750%	10/15/17	2,480,000	2,455,200(a)

See Notes to Financial Statements.

## Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Transportation continued</b>				
Syncreon Global Ireland Ltd./Syncreon Global Finance US Inc., Senior Notes	9.500%	5/1/18	3,120,000	\$ 3,268,200(a)
<b>Total Transportation</b>				
<b>Transportation Infrastructure 0.2%</b>				
Aguila 3 SA, Senior Secured Notes	7.875%	1/31/18	720,000	759,600(a)
<b>Total Industrials</b>				
<b>Information Technology 3.0%</b>				
<b>Communications Equipment 0.4%</b>				
Lucent Technologies Inc., Debentures	6.450%	3/15/29	3,140,000	2,072,400
<b>Electronic Equipment, Instruments &amp; Components 0.9%</b>				
NXP BV/NXP Funding LLC, Senior Secured Notes	9.750%	8/1/18	3,460,000	3,996,300(a)
<b>Internet Software &amp; Services 0.2%</b>				
Zayo Group LLC/Zayo Capital Inc., Senior Secured Notes	8.125%	1/1/20	900,000	987,750
<b>IT Services 1.2%</b>				
First Data Corp., Secured Notes	8.250%	1/15/21	180,000	180,450(a)
First Data Corp., Senior Notes	10.550%	9/24/15	4,616,986	4,749,724
First Data Corp., Senior Notes	11.250%	3/31/16	350,000	341,250
SRA International Inc., Senior Notes	11.000%	10/1/19	270,000	276,750
<b>Total IT Services</b>				
<b>Semiconductors &amp; Semiconductor Equipment 0.2%</b>				
Advanced Micro Devices Inc., Senior Notes	7.500%	8/15/22	300,000	291,000(a)
Freescale Semiconductor Inc., Senior Subordinated Notes	10.125%	12/15/16	617,000	641,680
<b>Total Semiconductors &amp; Semiconductor Equipment</b>				
<b>Software 0.1%</b>				
Legend Acquisition Sub Inc., Senior Notes	10.750%	8/15/20	520,000	512,200(a)
<b>Total Information Technology</b>				
<b>Materials 8.7%</b>				
<b>Chemicals 0.7%</b>				
Georgia Gulf Corp., Senior Secured Notes	9.000%	1/15/17	195,000	218,888(a)
Ineos Finance PLC, Senior Secured Notes	9.000%	5/15/15	1,160,000	1,232,500(a)
Kerling PLC, Senior Secured Notes	10.625%	2/1/17	955,000EUR	1,168,929(a)
Kloekner Pentaplast GmbH & Co. KG, Senior Secured Notes	11.625%	7/15/17	420,000EUR	568,051(a)
<b>Total Chemicals</b>				
<b>Containers &amp; Packaging 3.1%</b>				
Ardagh Packaging Finance PLC, Senior Notes	9.125%	10/15/20	1,130,000	1,203,450(a)
Ardagh Packaging Finance PLC, Senior Secured Notes	7.375%	10/15/17	560,000EUR	768,203(a)

See Notes to Financial Statements.

**Schedule of investments (cont d)**

September 30, 2012

**Western Asset High Income Opportunity Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Containers &amp; Packaging continued</b>				
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., Senior Notes	9.125%	10/15/20	590,000 \$	625,400(a)
Beverage Packaging Holdings Luxembourg II SA, Senior Secured Notes	9.500%	6/15/17	1,080,000EUR	1,398,262(a)
Longview Fibre Paper & Packaging Inc., Senior Secured Notes	8.000%	6/1/16	1,120,000	1,173,200(a)
Pretium Packaging LLC/Pretium Finance Inc., Senior Secured Notes	11.500%	4/1/16	2,060,000	2,116,650
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes	8.500%	5/15/18	1,180,000	1,203,600
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes	9.000%	4/15/19	1,890,000	1,937,250
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA, Senior Notes	9.875%	8/15/19	1,900,000	2,030,625
Viskase Cos. Inc., Senior Secured Notes	9.875%	1/15/18	2,260,000	2,350,400(a)
<b>Total Containers &amp; Packaging</b>				<b>14,807,040</b>
<b>Metals &amp; Mining 3.7%</b>				
FMG Resources (August 2006) Pty Ltd., Senior Notes	7.000%	11/1/15	1,250,000	1,250,000(a)
FMG Resources (August 2006) Pty Ltd., Senior Notes	8.250%	11/1/19	2,000,000	1,950,000(a)
Midwest Vanadium Pty Ltd., Senior Secured Notes	11.500%	2/15/18	3,400,000	2,091,000(a)
Mirabela Nickel Ltd., Senior Notes	8.750%	4/15/18	800,000	604,000(a)
Molycorp Inc., Senior Secured Notes	10.000%	6/1/20	1,320,000	1,313,400(a)
Novelis Inc., Senior Notes	8.750%	12/15/20	920,000	1,023,500
Optima Specialty Steel Inc., Senior Secured Notes	12.500%	12/15/16	1,050,000	1,113,000(a)
Ryerson Holding Corp., Senior Secured Notes	0.000%	2/1/15	2,850,000	2,030,625
Ryerson Inc., Senior Secured Notes	12.000%	11/1/15	30,000	31,050
Ryerson Inc./Joseph T Ryerson & Son Inc., Senior Notes	11.250%	10/15/18	900,000	905,625(a)
Ryerson Inc./Joseph T Ryerson & Son Inc., Senior Secured Notes	9.000%	10/15/17	1,840,000	1,888,300(a)
Schaeffler Finance BV, Senior Secured Notes	7.750%	2/15/17	360,000	399,600(a)
Steel Dynamics Inc., Senior Notes	6.125%	8/15/19	610,000	637,450(a)
Tempel Steel Co., Senior Secured Notes	12.000%	8/15/16	860,000	844,950(a)
Thompson Creek Metals Co. Inc., Senior Notes	12.500%	5/1/19	1,660,000	1,589,450
<b>Total Metals &amp; Mining</b>				<b>17,671,950</b>
<b>Paper &amp; Forest Products 1.2%</b>				
Appleton Papers Inc., Senior Secured Notes	11.250%	12/15/15	3,415,000	3,432,075

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Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes	11.750%	1/15/19	980,000	1,038,800(a)
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See Notes to Financial Statements.



**Western Asset High Income Opportunity Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Paper &amp; Forest Products continued</b>				
Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes	11.750%	1/15/19	204,000 \$	158,100(a)
Verso Paper Holdings LLC/Verso Paper Inc., Senior Secured Notes	8.750%	2/1/19	1,500,000	735,000
Verso Paper Holdings LLC/Verso Paper Inc., Senior Subordinated Notes	11.375%	8/1/16	252,000	149,940
<b>Total Paper &amp; Forest Products</b>				<b>5,513,915</b>
<b>Total Materials</b>				<b>41,181,273</b>
<b>Telecommunication Services 7.8%</b>				
<b>Diversified Telecommunication Services 4.8%</b>				
Cogent Communications Group Inc., Senior Secured Notes	8.375%	2/15/18	1,530,000	1,667,700(a)
Inmarsat Finance PLC, Senior Notes	7.375%	12/1/17	1,290,000	1,399,650(a)
Intelsat Jackson Holdings Ltd., Senior Notes	11.250%	6/15/16	337,000	352,165
Intelsat Jackson Holdings SA, Senior Notes	7.250%	10/15/20	1,800,000	1,946,250
Intelsat Jackson Holdings SA, Senior Notes	7.500%	4/1/21	610,000	663,375
Intelsat Luxembourg SA, Senior Notes	11.250%	2/4/17	2,730,000	2,897,212
Level 3 Financing Inc., Senior Notes	8.625%	7/15/20	1,530,000	1,658,138
TW Telecom Holdings Inc., Senior Notes	8.000%	3/1/18	1,430,000	1,580,150
TW Telecom Holdings Inc., Senior Notes	5.375%	10/1/22	450,000	460,688(a)
Unitymedia Hessen GmbH & Co. KG/ Unitymedia NRW GmbH, Senior Secured Notes	7.500%	3/15/19	430,000	474,075(a)
West Corp., Senior Notes	8.625%	10/1/18	1,570,000	1,656,350
West Corp., Senior Notes	7.875%	1/15/19	1,840,000	1,904,400
Wind Acquisition Finance SA, Senior Notes	11.750%	7/15/17	1,480,000	1,402,300(a)
Wind Acquisition Holdings Finance SpA, Senior Notes	12.250%	7/15/17	2,736,131	2,175,224(a)(e)
Windstream Corp., Senior Notes	7.500%	4/1/23	2,130,000	2,236,500
<b>Total Diversified Telecommunication Services</b>				<b>22,474,177</b>
<b>Wireless Telecommunication Services 3.0%</b>				
MetroPCS Wireless Inc., Senior Notes	7.875%	9/1/18	140,000	151,900
MetroPCS Wireless Inc., Senior Notes	6.625%	11/15/20	1,390,000	1,461,237
Sprint Capital Corp., Senior Notes	6.875%	11/15/28	2,960,000	2,738,000
Sprint Capital Corp., Senior Notes	8.750%	3/15/32	4,855,000	5,049,200
Sprint Nextel Corp.	6.000%	12/1/16	300,000	310,500
Sprint Nextel Corp., Senior Notes	9.000%	11/15/18	2,470,000	2,970,175(a)
Syniverse Holdings Inc., Senior Notes	9.125%	1/15/19	1,480,000	1,598,400
<b>Total Wireless Telecommunication Services</b>				<b>14,279,412</b>
<b>Total Telecommunication Services</b>				<b>36,753,589</b>

See Notes to Financial Statements.

**Schedule of investments (cont d)**

September 30, 2012

**Western Asset High Income Opportunity Fund Inc.**

<b>Security</b>	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Value</b>
<b>Utilities 6.8%</b>				
<i>Electric Utilities 2.1%</i>				
AES Red Oak LLC, Secured Notes	9.200%	11/30/29	3,920,000	\$ 4,253,200
GenOn REMA LLC, Senior Secured Notes	9.237%	7/2/17	367,575	389,629
Midwest Generation LLC, Pass-Through Certificates	8.560%	1/2/16	691,613	629,368
Reliant Energy Mid-Atlantic Power Holdings LLC, Senior Notes	9.681%	7/2/26	2,570,000	2,775,600
Texas Competitive Electric Holdings Co. LLC/TCEH Finance Inc., Senior Secured Notes	11.500%	10/1/20	2,550,000	2,008,125(a)
<b>Total Electric Utilities</b>				<b>10,055,922</b>
<i>Gas Utilities 0.3%</i>				
Southern Natural Gas Co., Senior Notes	8.000%	3/1/32	60,000	85,172
Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes	7.375%	3/15/20	1,210,000	1,300,750
<b>Total Gas Utilities</b>				<b>1,385,922</b>
<i>Independent Power Producers &amp; Energy Traders 4.4%</i>				
Atlantic Power Corp., Senior Notes	9.000%	11/15/18	1,080,000	1,152,900
Calpine Corp., Senior Secured Notes	7.875%	7/31/20	200,000	219,500(a)
Calpine Corp., Senior Secured Notes	7.875%	1/15/23	1,450,000	1,609,500(a)
Dynegy Inc., Bonds	7.670%	11/8/16	220,000	136,400(f)
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Secured Notes	11.750%	3/1/22	4,480,000	4,782,400(a)
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes	6.875%	8/15/17	300,000	312,000(a)
Energy Future Intermediate Holding Co. LLC/EFIH Finance Inc., Senior Secured Notes	10.000%	12/1/20	1,600,000	1,808,000
First Wind Holdings Inc., Senior Secured Notes	10.250%	6/1/18	1,570,000	1,609,250(a)
Foresight Energy LLC/Foresight Energy Corp., Senior Notes	9.625%	8/15/17	3,190,000	3,317,600(a)
Mirant Americas Generation LLC, Senior Notes	9.125%	5/1/31	4,573,000	4,893,110
Mirant Mid Atlantic LLC, Pass-Through Certificates	9.125%	6/30/17	159,706	174,878
Mirant Mid Atlantic LLC, Pass-Through Certificates	10.060%	12/30/28	809,639	902,747
<b>Total Independent Power Producers &amp; Energy Traders</b>				<b>20,918,285</b>
<b>Total Utilities</b>				<b>32,360,129</b>

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<b>Total Corporate Bonds &amp; Notes (Cost \$397,659,533)</b>				<b>412,458,679</b>
<b>Collateralized Mortgage Obligations 0.2%</b>				
Countrywide Home Loan Mortgage Pass-Through Trust, 2004-HYB5 7A1 (Cost \$622,342)	2.442%	4/20/35	933,090	<b>841,843(g)</b>
<b>Collateralized Senior Loans 3.8%</b>				
<b>Consumer Discretionary 1.7%</b>				
<b>Diversified Consumer Services 0.6%</b>				
Realty Corp., Second Lien Term Loan	13.500%	10/15/17	2,500,000	<b>2,528,125(i)</b>

See Notes to Financial Statements.

## Western Asset High Income Opportunity Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<b>Hotels, Restaurants &amp; Leisure 0.8%</b>				
El Pollo Loco Inc., First Lien Term Loan	9.250%	7/14/17	1,372,625	\$ 1,420,667(i)
Stockbridge/SBE Holdings LLC, Term Loan B	13.000%	5/2/17	2,420,000	2,420,000(i)
<b>Total Hotels, Restaurants &amp; Leisure</b>				<b>3,840,667</b>
<b>Media 0.3%</b>				
Newsday LLC, Fixed Rate Term Loan	10.500%	8/1/13	1,500,000	1,507,500(i)
<b>Total Consumer Discretionary</b>				<b>7,876,292</b>
<b>Energy 1.1%</b>				
<b>Oil, Gas &amp; Consumable Fuels 1.1%</b>				
Chesapeake Energy Corp., Term Loan	8.500%	12/1/17	5,320,000	5,344,381(i)
<b>Industrials 0.5%</b>				
<b>Machinery 0.4%</b>				
Intelligrated Inc., Second Lien Term Loan	10.500%	12/31/19	1,970,000	1,994,625(i)
<b>Marine 0.1%</b>				
Trico Shipping AS, New Term Loan A	10.000%	5/13/14	205,770	205,770(b)(i)
Trico Shipping AS, New Term Loan B		5/13/14	362,292	362,292(b)(j)
<b>Total Marine</b>				<b>568,062</b>
<b>Total Industrials</b>				<b>2,562,687</b>
<b>Information Technology 0.2%</b>				
<b>IT Services 0.2%</b>				
SRA International Inc., Term Loan B	6.500%	7/20/18	817,143	812,036(i)
<b>Telecommunication Services 0.3%</b>				
<b>Wireless Telecommunication Services 0.3%</b>				
Vodafone Americas Finance 2 Inc., PIK Term Loan	6.875%	8/11/15	1,131,292	1,170,887(i)
<b>Total Collateralized Senior Loans (Cost \$17,207,801)</b>				<b>17,766,283</b>
<b>Convertible Bonds &amp; Notes 0.7%</b>				
<b>Consumer Discretionary 0.6%</b>				
<b>Diversified Consumer Services 0.6%</b>				
Realogy Corp., Senior Subordinated Bonds	11.000%	4/15/18	3,230,000	3,100,800(a)
<b>Materials 0.1%</b>				
<b>Chemicals 0.1%</b>				
Hercules Inc.	6.500%	6/30/29	410,000	339,531
<b>Total Convertible Bonds &amp; Notes (Cost \$2,395,547)</b>				<b>3,440,331</b>
			<b>Shares</b>	
<b>Common Stocks 1.7%</b>				
<b>Consumer Discretionary 0.5%</b>				
<b>Hotels, Restaurants &amp; Leisure 0.0%</b>				
Bossier Casino Venture Holdco Inc.			78,199	156,398*(b)(c)
<b>Media 0.5%</b>				
Charter Communications Inc., Class A Shares			31,759	2,384,148*
<b>Total Consumer Discretionary</b>				<b>2,540,546</b>

See Notes to Financial Statements.

24

Western Asset High Income Opportunity Fund Inc. 2012 Annual Report

**Schedule of investments (cont d)**

September 30, 2012

**Western Asset High Income Opportunity Fund Inc.**

		<b>Shares</b>	<b>Value</b>
<b>Security</b>			
<b>Energy 0.6%</b>			
<i>Energy Equipment &amp; Services 0.6%</i>			
KCAD Holdings I Ltd.		251,930,724	\$ 2,738,739*(b)(c)
<b>Industrials 0.6%</b>			
<i>Marine 0.6%</i>			
DeepOcean Group Holding AS		97,019	1,760,905*(b)(c)
Horizon Lines Inc., Class A Shares		686,277	947,062*
<b>Total Industrials</b>			<b>2,707,967</b>
<b>Total Common Stocks (Cost \$8,239,758)</b>			<b>7,987,252</b>
	<b>Rate</b>		
<b>Convertible Preferred Stocks 0.4%</b>			
<b>Financials 0.4%</b>			
<i>Diversified Financial Services 0.4%</i>			
Citigroup Inc. (Cost \$2,186,287)	7.500%	21,100	2,046,278
<b>Preferred Stocks 1.5%</b>			
<b>Consumer Discretionary 0.0%</b>			
<i>Automobiles 0.0%</i>			
Escrow GCB General Motors		31,700	0*(b)(c)(d)
Escrow GCB General Motors		2,200	0*(b)(c)(d)
Escrow GCB General Motors		10,100	0*(b)(c)(d)
Escrow GCB General Motors		900	0*(b)(c)(d)
<b>Total Consumer Discretionary</b>			<b>0</b>
<b>Financials 1.4%</b>			
<i>Consumer Finance 0.9%</i>			
GMAC Capital Trust I	8.125%	165,966	4,167,407(g)
<i>Diversified Financial Services 0.5%</i>			
Citigroup Capital XIII	7.875%	85,025	2,367,946(g)
<i>Thriffs &amp; Mortgage Finance 0.0%</i>			
Federal National Mortgage Association (FNMA)	8.250%	37,200	32,364*(g)
<b>Total Financials</b>			<b>6,567,717</b>
<b>Industrials 0.1%</b>			
<i>Road &amp; Rail 0.1%</i>			
Jack Cooper Holdings Corp.	20.000%	4,107	414,807(c)(g)
<b>Total Preferred Stocks (Cost \$7,593,679)</b>			<b>6,982,524</b>

See Notes to Financial Statements.

**Western Asset High Income Opportunity Fund Inc.**

	<b>Expiration Date</b>	<b>Notional Amount</b>	<b>Value</b>
<b>Security</b>			
<b>Purchased Options 0.0%</b>			
Credit default swaption with Banc of America Securities LLC to buy protection on Markit CDX.NA.HY.18 Index, Put @ \$97.50	10/17/12	13,464,000	\$ 21,419
Credit default swaption with Banc of America Securities LLC to buy protection on Markit CDX.NA.HY.18 Index, Put @ \$97.50	10/17/12	4,039,200	6,425
Credit default swaption with Barclays Capital Inc. to sell protection on Markit CDX.NA.HY.18 Index, Put @ \$97.50	10/17/12	2,871,000	4,567
<b>Total Purchased Options (Cost \$243,164)</b>			<b>32,411</b>
<b>Warrants</b>			
<b>Warrants 0.1%</b>			
Charter Communications Inc.	11/30/14	2,238	58,188*(c)
Jack Cooper Holdings Corp.	12/15/17	1,974	148,050*
Jack Cooper Holdings Corp.	5/6/18	921	69,075*
Nortek Inc.	12/7/14	5,518	27,590*(b)(c)
SemGroup Corp.	11/30/14	9,492	126,149*(b)(c)
<b>Total Warrants (Cost \$125,184)</b>			<b>429,052</b>
<b>Total Investments before Short-Term Investments (Cost \$436,273,295)</b>			<b>451,984,653</b>
	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>
<b>Short-Term Investments 3.2%</b>			
<b>U.S. Government Agencies 0.9%</b>			
Federal Home Loan Mortgage Corp. (FHLMC), Discount Notes (Cost \$4,498,373)	0.155%	12/24/12	4,500,000
<b>Repurchase Agreements 2.3%</b>			<b>4,499,685(k)</b>
Barclays Capital Inc., tri-party repurchase agreement dated 9/28/12; Proceeds at maturity \$10,800,135; (Fully collateralized by U.S. government obligations, 0.875% due 1/31/17; Market value \$11,230,847) (Cost \$10,800,000)	0.150%	10/1/12	10,800,000
<b>Total Short-Term Investments (Cost \$15,298,373)</b>			<b>15,299,685</b>
<b>Total Investments 98.8% (Cost \$451,571,668#)</b>			<b>467,284,338</b>
<b>Other Assets in Excess of Liabilities 1.2%</b>			<b>5,590,663</b>
<b>Total Net Assets 100.0%</b>			<b>\$472,875,001</b>

Face amount denominated in U.S. dollars, unless otherwise noted.

\* Non-income producing security.

See Notes to Financial Statements.

**Schedule of investments (cont d)**

September 30, 2012

**Western Asset High Income Opportunity Fund Inc.**

- (a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (b) Illiquid security (unaudited).
- (c) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).
- (d) Value is less than \$1.
- (e) Payment-in-kind security for which part of the income earned may be paid as additional principal.
- (f) The coupon payment on these securities is currently in default as of September 30, 2012.
- (g) Variable rate security. Interest rate disclosed is as of the most recent information available.
- (h) Security has no maturity date. The date shown represents the next call date.
- (i) Interest rates disclosed represent the effective rates on collateralized senior loans. Ranges in interest rates are attributable to multiple contracts under the same loan.
- (j) All or a portion of this loan is unfunded as of September 30, 2012. The interest rate for fully unfunded term loans is to be determined.
- (k) Rate shown represents yield-to-maturity.
- # Aggregate cost for federal income tax purposes is \$452,922,669.

**Abbreviation used in this schedule:**

EUR Euro

**Schedule of Written Options**

<b>Security</b>	<b>Expiration Date</b>	<b>Strike Price</b>	<b>Notional Amount</b>	<b>Value</b>
Credit default swaption with Banc of America Securities LLC to buy protection on Markit CDX.NA.HY.18 Index, Call	10/17/12	\$99.00	13,464,000	\$232,301
Credit default swaption with Banc of America Securities LLC to buy protection on Markit CDX.NA.HY.18 Index, Call	10/17/12	99.00	4,039,200	69,690
Credit default swaption with Banc of America Securities LLC to sell protection on Markit CDX.NA.HY.18 Index, Put	10/17/12	94.50	13,464,000	7,327
Credit default swaption with Banc of America Securities LLC to sell protection on Markit CDX.NA.HY.18 Index, Put	10/17/12	94.50	4,039,200	2,198
Credit default swaption with Barclays Capital Inc. to buy protection on Markit CDX.NA.HY.18 Index, Call	10/17/12	99.00	2,871,000	49,535



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Credit default swaption with Barclays Capital Inc.  
to sell protection on Markit CDX.NA.HY.18

Index, Put	10/17/12	94.50	2,871,000	1,562
<b>Total Written Options (Premiums received</b>				<b>\$362,613</b>

**\$187,516)**

Notional amount denominated in U.S. dollars, unless otherwise noted.

See Notes to Financial Statements.

**Statement of assets and liabilities**

September 30, 2012

**Assets:**

Investments, at value (Cost \$451,571,668)	\$467,284,338
Foreign currency, at value (Cost \$31,188)	31,019
Cash	1,526,586
Interest receivable	10,916,082
Receivable for securities sold	3,902,889
Deposits with brokers for swap contracts	600,000
Unrealized appreciation on forward foreign currency contracts	32,929
Prepaid expenses	49,369
<b>Total Assets</b>	<b>484,343,212</b>

**Liabilities:**

Payable for securities purchased	10,175,938
Written options, at value (premiums received \$187,516)	362,613
Investment management fee payable	310,119
Swaps, at value (premiums paid \$668,239)	247,269
Unrealized depreciation on forward foreign currency contracts	238,998
Payable for open swap contracts	38,344
Directors' fees payable	6,085
Accrued expenses	88,845
<b>Total Liabilities</b>	<b>11,468,211</b>
<b>Total Net Assets</b>	<b>\$472,875,001</b>

**Net Assets:**

Par value (\$0.001 par value; 75,561,571 shares issued and outstanding; 500,000,000 shares authorized)	\$ 75,562
Paid-in capital in excess of par value	546,416,436
Undistributed net investment income	454,532
Accumulated net realized loss on investments, futures contracts, written options, swap contracts and foreign currency transactions	(88,489,829)
Net unrealized appreciation on investments, written options, swap contracts and foreign currencies	14,418,300
<b>Total Net Assets</b>	<b>\$472,875,001</b>

**Shares Outstanding** 75,561,571

**Net Asset Value** \$6.26

See Notes to Financial Statements.

**Statement of operations**

For the Year Ended September 30, 2012

**Investment Income:**

Interest	\$40,363,839
Dividends	856,362
<b>Total Investment Income</b>	<b>41,220,201</b>

**Expenses:**

Investment management fee (Note 2)	3,643,953
Directors' fees	80,989
Transfer agent fees	76,435
Shareholder reports	53,636
Stock exchange listing fees	49,558
Audit and tax	47,200
Legal fees	28,861
Insurance	10,661
Custody fees	500
Miscellaneous expenses	9,684
<b>Total Expenses</b>	<b>4,001,477</b>
<b>Net Investment Income</b>	<b>37,218,724</b>

**Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions (Notes 1, 3 and 4):**

Net Realized Gain (Loss) From:	
Investment transactions	833,644
Futures contracts	(364,264)
Written options	1,580,328
Swap contracts	(239,346)
Foreign currency transactions	630,587
<b>Net Realized Gain</b>	<b>2,440,949</b>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	37,489,063
Futures contracts	8,896
Written options	(175,097)
Swap contracts	(915,508)
Foreign currencies	(359,849)
<b>Change in Net Unrealized Appreciation (Depreciation)</b>	<b>36,047,505</b>
<b>Net Gain on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign Currency Transactions</b>	<b>38,488,454</b>
<b>Increase in Net Assets From Operations</b>	<b>\$75,707,178</b>

See Notes to Financial Statements.

**Statements of changes in net assets**

<b>For the Years Ended September 30,</b>	<b>2012</b>	<b>2011</b>
<b>Operations:</b>		
Net investment income	\$ 37,218,724	\$ 37,577,449
Net realized gain	2,440,949	1,443,587
Change in net unrealized appreciation (depreciation)		